

Governor Carney, Congressional Delegation Respond to Bill that would Hurt U.S. Economy, Change Bankruptcy Venue Laws

WILMINGTON, Del – Delaware Governor John Carney (D) and Delaware's congressional delegation, U.S. Senators Tom Carper and Chris Coons (both D-Del.) and Representative Lisa Blunt Rochester (D-Del.), issued the following statement after U.S. Senators John Cornyn (R-Texas) and Elizabeth Warren (D-Mass.) introduced legislation that would restrict businesses' venue options when filing for bankruptcy and hurt the U.S. economy.

Currently, many American businesses, including more than two-thirds of those in the Fortune 500, incorporate in Delaware in order to access Delaware's world-class bench and bar with exceptional expertise in corporate legal issues and bankruptcy. The Cornyn-Warren bill would hurt businesses across the country and deal a significant blow to Delaware's economy, risking thousands of jobs in the legal and business services sectors, as well as industries serving those traveling to Delaware for business.

"Many American companies, large and small, choose to incorporate in Delaware because of the expertise and experience of our judges, attorneys, and business leaders. Denying American businesses the ability to file for bankruptcy in the courts of their choice would not only hurt Delaware's economy but also hurt businesses of all sizes and the national economy as a whole. This is a misguided policy, and we strongly oppose it," **Governor Carney and Delaware's Congressional Delegation** said in a joint statement. "Our

economy thrives when the bankruptcy system is fair, predictable, and efficient. Experienced bankruptcy judges are critical to ensuring that companies can restructure in a way that saves jobs and preserves value. Scrapping the venue laws that have been in place for decades and replacing them with restrictions flies in the face of well-settled principles of corporate law, threatens jobs, and hurts our economy.”

The Cornyn/Warren bill would limit companies’ choices by eliminating domicile from the venue options permitted when filing a Chapter 11 case. This would upend decades of precedent allowing businesses to file for Chapter 11 in the jurisdiction where they are incorporated. Currently, Delaware attracts complex Chapter 11 cases from businesses located all of the country that are incorporated in Delaware, and thus the bankruptcy judges in Delaware are experienced in handling these difficult restructuring cases. Study after study shows that experienced bankruptcy courts promote predictability and post-restructuring survival.

University of Pennsylvania law professor David Skeel testified in a House of Representatives and stated venue reform would have severe negative repercussions to the established bankruptcy system.

“It [venue reform] would overturn a long history of bankruptcy practice; it would undermine the effectiveness of our corporate bankruptcy system; it would increase the administrative costs of the system; and it would not help the very parties the proposal is ostensibly designed to help.”

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